

Auditing Procedures Report

Issued under PA. 2 of 1968, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF WAKEFIELD	County GOGEBIC
Fiscal Year End 6/30/2005	Opinion Date 7/13/2006	Date Audit Submitted to State 8/24/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

1. ☒ ☐ All required components units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (PA.275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division
7. ☒ ☐ The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that come to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the names(s), address(es), and description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NO ADDITIONAL INFORMATION REQUIRED	
Certified Public Accountant (Firm Name) DAVID TRACZYK CPA		Telephone Number 715-561-3299	
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Authorizing CPA Signature <i>David Traczyk, CPA</i>		Printed Name Dave Traczyk	Zip 54534
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CITY OF WAKEFIELD, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2005

TABLE OF CONTENTS

	Page
Independent Auditor's Report	3
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	10
Proprietary Funds:	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to Basic Financial Statements	15
Combining and Individual Fund Statements and Schedules	
Combining Financial Statements - Non-Major:	
Governmental Funds:	
Combining Balance Sheet	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35
Individual Fund Statements:	
Statement of Revenue - Budget and Actual - General Fund	36
Statement of Expenditures - Budget and Actual - General Fund	37
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Building Inspector Fund	38
Library Fund	39
Major Street Fund	40
Local Street Fund	41
Cemetery Fund	42
Garbage Fund	43
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	45

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INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the Council
City of Wakefield, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wakefield Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wakefield, Michigan management. My responsibility is to express an opinion on these statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not maintained adequate records to support the amounts claimed as inventory in the general fund, electric fund, water fund, and sewer fund of \$39,983, \$46,799, \$36,532, and \$444, respectively.

In my opinion, except for the effects, if any, of not being able to verify the inventory of the general fund, electric fund, water fund, sewer fund, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, electric fund, water fund, and sewer fund of the City of Wakefield, Michigan, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major and local street funds, and the aggregate remaining fund information of the City of Wakefield, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Wakefield, Michigan, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements of the City of Wakefield, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Wakefield, Michigan. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2006, on my consideration of City of Wakefield, Michigan internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

July 13, 2006

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 398,089	\$ 397,890	\$ 795,979
Accounts receivable	11,984	128,082	140,066
Taxes receivable	69,108	-	69,108
Due from other governments	197,029	-	197,029
Internal balances	(27,266)	27,266	-
Deferred charges	39,120	-	39,120
Inventory	39,983	83,775	123,758
Restricted cash	34,617	324,739	359,356
Capital assets	3,744,223	14,073,745	17,817,968
Accumulated depreciation	(2,491,052)	(1,963,319)	(4,454,371)
Total Assets	2,015,835	13,072,178	15,088,013
LIABILITIES			
Vouchers payable	112,462	60,008	172,470
Accrued interest	-	16,755	16,755
Due to other taxing agencies	75,163	-	75,163
Meter deposits	-	29,966	29,966
Revenue bonds payable	-	4,530,000	4,530,000
Accrued compensated absences	151,658	-	151,658
Total Liabilities	339,283	4,636,729	4,976,012
NET ASSETS			
Investments in capital assets, net of related debt	1,253,171	7,563,671	8,816,842
Restricted for debt service	-	266,031	266,031
Restricted for capital projects	34,617	58,708	93,325
Unrestricted	388,764	547,039	935,803
Total Net Assets	<u>\$ 1,676,552</u>	<u>\$ 8,435,449</u>	<u>\$ 10,112,001</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 473,904	\$ 9,120	\$ 382,550	\$ -	\$ (82,234)
Public safety	193,345	-	-	-	(193,345)
Highways and streets	427,257	182	337,509	-	(89,566)
Public works	111,847	-	-	-	(111,847)
Community services	228,360	139,828	28,350	-	(60,182)
Parks and recreation	67,674	27,904	-	-	(39,770)
Total Governmental Activities	1,502,387	177,034	748,409	-	(576,944)
Business-type Activities:					
Electric	823,193	880,949	-	-	57,756
Water	289,685	216,329	-	-	(73,356)
Sewer	446,491	343,592	-	25,749	(77,150)
Total Business-type Activities	1,559,369	1,440,870	-	25,749	(92,750)
Total	<u>\$ 3,061,756</u>	<u>\$ 1,617,904</u>	<u>\$ 748,409</u>	<u>\$ 25,749</u>	<u>\$ (669,694)</u>

Changes in Net Assets

	Governmental Activities	Business type Activities	Total
Net (Expense) Revenue	\$ (576,944)	\$ (92,750)	\$ (669,694)
General Revenues:			
Property taxes	334,710	-	334,710
Investment income	7,785	17,786	25,571
Miscellaneous	94,988	-	94,988
Transfers	36,338	(36,338)	-
Total General Revenues and Transfers	473,821	(18,552)	455,269
Changes in Net Assets	(103,123)	(111,302)	(214,425)
Net Assets at Beginning of Year	1,779,675	8,546,751	10,326,426
Net Assets at End of Year	<u>\$ 1,676,552</u>	<u>\$ 8,435,449</u>	<u>\$ 10,112,001</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 140,423	\$ 119,965	\$ 88,055	\$ 49,646	\$ 398,089
Accounts receivable	-	-	-	11,984	11,984
Taxes receivable	68,255	-	-	853	69,108
Due from other governments	174,637	13,660	-	8,732	197,029
Due from other funds	232,984	216,851	62,800	38,597	551,232
Deferred charges	39,120	-	-	-	39,120
Inventory	39,983	-	-	-	39,983
Restricted cash	34,617	-	-	-	34,617
Total Assets	\$ 730,019	\$ 350,476	\$ 150,855	\$ 109,812	\$ 1,341,162
LIABILITIES					
Vouchers payable	\$ 20,937	\$ 79,822	\$ 1,368	\$ 7,673	\$ 109,800
Due to other funds	376,491	86,427	46,936	120,407	630,261
Due to other taxing agencies	75,163	-	-	-	75,163
Total Liabilities	472,591	166,249	48,304	128,080	815,224
FUND BALANCES					
Reserved for capital expenditures	34,617	-	-	-	34,617
Unreserved	222,811	184,227	102,551	(18,268)	491,321
Total Fund Balances	257,428	184,227	102,551	(18,268)	525,938
Total Liabilities and Fund Balances	\$ 730,019	\$ 350,476	\$ 150,855	\$ 109,812	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,491,052. 1,253,171

Internal service funds are used by management to charge the cost of certain activities, such as fleet management to individual funds. The assets and liabilities of the Internal Service Fund, (net of capital assets) consist of:

Current assets	\$ 223,310	
Current liabilities	\$ 174,209	49,101

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences	(151,658)
	<u>\$ 1,676,552</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2005

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Property taxes	\$ 334,710	\$ -	\$ -	\$ -	\$ 334,710
Rentals	9,120	-	-	-	9,120
Charges for services	27,904	182	-	139,828	167,914
Interest	1,793	3,086	1,547	1,359	7,785
Other	92,590	-	-	2,398	94,988
Intermediate sources	8,230	-	-	26,215	34,445
State sources	296,992	256,620	80,889	2,135	636,636
Federal sources	77,328	-	-	-	77,328
	848,667	259,888	82,436	171,935	1,362,926
Expenditures:					
General Government	449,426	-	-	-	449,426
Public safety	174,087	-	-	-	174,087
Highways & streets	22,653	238,998	158,180	-	419,831
Public works	111,561	-	-	-	111,561
Community services	-	-	-	224,702	224,702
Parks and recreation	59,015	-	-	-	59,015
	816,742	238,998	158,180	224,702	1,438,622
Excess of Revenues over (under) Expenditures	31,925	20,890	(75,744)	(52,767)	(75,696)
Other Financing Sources (Uses):					
Transfers in	36,338	-	52,055	30,101	118,494
Transfers (out)	(30,101)	(52,055)	-	-	(82,156)
	6,237	(52,055)	52,055	30,101	36,338
Net Change in Fund Balances	38,162	(31,165)	(23,689)	(22,666)	(39,358)
Fund balance at beginning of year	219,266	215,392	126,240	4,398	565,296
Fund balance at end of year	\$ 257,428	\$ 184,227	\$ 102,551	\$ (18,268)	\$ 525,938

(Continued)

See accompanying notes to basic financial statements.

(Continued)

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	(39,358)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	-	
Depreciation expense	<u>(49,863)</u>	(49,863)

Internal service fund expenses in excess of costs allocated to individual funds:

Total expenses	171,947	
Allocated expenses	<u>158,437</u>	(13,510)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>(392)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (103,123)</u></u>
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CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Sources:				
Property taxes	\$ 340,188	\$ 340,188	\$ 334,710	\$ (5,478)
Rentals	9,650	9,650	9,120	(530)
Charges for services	28,200	28,200	27,904	(296)
Interest	3,000	3,000	1,793	(1,207)
Other	51,450	51,450	92,590	41,140
Intermediate sources	8,200	8,200	8,230	30
State sources	295,272	295,272	296,992	1,720
Federal sources	-	-	77,328	77,328
	<u>735,960</u>	<u>735,960</u>	<u>848,667</u>	<u>112,707</u>
Expenditures:				
General Government	459,558	459,558	449,426	10,132
Public safety	172,734	172,734	174,087	(1,353)
Highways & streets	22,000	22,000	22,653	(653)
Public Works	66,700	66,700	111,561	(44,861)
Parks and recreation	54,500	54,500	59,015	(4,515)
	<u>775,492</u>	<u>775,492</u>	<u>816,742</u>	<u>(41,250)</u>
Excess of Revenues over (under) Expenditures	(39,532)	(39,532)	31,925	71,457
Other Financing Sources (Uses):				
Operating transfers in	36,338	36,338	36,338	-
Operating transfers (out)	(52,601)	(52,601)	(30,101)	22,500
	<u>(16,263)</u>	<u>(16,263)</u>	<u>6,237</u>	<u>22,500</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other (Uses)	(55,795)	(55,795)	38,162	93,957
Fund balance at beginning of year	<u>219,266</u>	<u>219,266</u>	<u>219,266</u>	<u>-</u>
Fund balance at end of year	<u>\$ 163,471</u>	<u>\$ 163,471</u>	<u>\$ 257,428</u>	<u>\$ 93,957</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
ASSETS	Electric	Water	Sewer	Total	
CURRENT ASSETS:					
Cash	\$ 266,252	\$ 58,269	\$ 73,369	\$ 397,890	\$ -
Accounts receivable	76,534	20,658	30,890	128,082	-
Due from other funds	58,473	82,986	-	141,459	223,310
Inventory	46,799	36,532	444	83,775	-
Total Current Assets	448,058	198,445	104,703	751,206	223,310
RESTRICTED ASSETS:					
Cash	-	-	324,739	324,739	-
Total Restricted Assets	-	-	324,739	324,739	-
NONCURRENT ASSETS:					
Property, plant, and equipment	1,320,506	1,360,156	11,393,083	14,073,745	1,442,266
Accumulated depreciation	(647,915)	(512,094)	(803,310)	(1,963,319)	(1,187,845)
Total Noncurrent Assets	672,591	848,062	10,589,773	12,110,426	254,421
Total Assets	1,120,649	1,046,507	11,019,215	13,186,371	477,731
LIABILITIES					
CURRENT LIABILITIES:					
Vouchers payable	51,390	7,486	1,132	60,008	2,662
Accrued interest	-	-	16,755	16,755	-
Due to other funds	18,553	74,691	20,949	114,193	171,547
Current portion of bonds	-	-	56,000	56,000	-
Total Current Liabilities	69,943	82,177	94,836	246,956	174,209
NONCURRENT LIABILITIES:					
Meter deposits	20,336	9,630	-	29,966	-
Revenue bonds payable	-	-	4,474,000	4,474,000	-
Total Noncurrent Liabilities	20,336	9,630	4,474,000	4,503,966	-
Total Liabilities	90,279	91,807	4,568,836	4,750,922	174,209
NET ASSETS					
Investments in capital assets, net of related debt	672,591	848,062	6,043,018	7,563,671	254,421
Restricted for debt service	-	-	266,031	266,031	-
Restricted for capital projects	-	-	58,708	58,708	-
Unrestricted	357,779	106,638	82,622	547,039	49,101
Total Net Assets	\$ 1,030,370	\$ 954,700	\$ 6,450,379	\$ 8,435,449	\$ 303,522

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2005

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
Operating Revenues:					
Charges for services	\$ 869,886	\$ 208,829	\$ 343,592	\$ 1,422,307	\$ -
Rentals	11,063	7,500	-	18,563	158,437
Total Operating Revenue	880,949	216,329	343,592	1,440,870	158,437
Operating Expenses:					
Operations	191,835	231,478	111,528	534,841	108,135
Administration	12,516	17,815	3,223	33,554	-
Electric power purchased	579,227	-	-	579,227	-
Depreciation	39,615	40,392	125,701	205,708	63,812
Total Operating Expenses	823,193	289,685	240,452	1,353,330	171,947
Operating Income (Loss)	57,756	(73,356)	103,140	87,540	(13,510)
Non-operating revenue (expenses):					
Interest income	7,163	1,369	9,254	17,786	-
Interest expense	-	-	(206,039)	(206,039)	-
Total non-operating revenues (expenses)	7,163	1,369	(196,785)	(188,253)	-
Net Income Before Contributions and Transfers	64,919	(71,987)	(93,645)	(100,713)	(13,510)
Capital contributions	-	-	25,749	25,749	-
Operating transfers:					
Transfers in	-	-	-	-	-
Transfers (out)	(34,338)	(2,000)	-	(36,338)	-
Net transfers	(34,338)	(2,000)	-	(36,338)	-
Change in Net Assets	30,581	(73,987)	(67,896)	(111,302)	(13,510)
Net Assets at Beginning of Year	999,789	1,028,687	6,518,275	8,546,751	317,032
Net Assets at End of Year	\$ 1,030,370	\$ 954,700	\$ 6,450,379	\$ 8,435,449	\$ 303,522

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2005

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 868,793	\$ 212,453	\$ 347,345	\$ 1,428,591	\$ -
Payments to suppliers	(617,266)	(130,327)	(36,322)	(783,915)	(68,912)
Payments to employees	(152,498)	(129,708)	(80,185)	(362,391)	(42,751)
Receipts of meter deposits	-	-	-	-	-
Refunds of meter deposits	(260)	-	-	(260)	-
Internal activity - payment from (to) other funds	(79,479)	49,582	11,005	(18,892)	111,663
Net Cash Provided by Operating Activities	19,290	2,000	241,843	263,133	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(34,338)	(2,000)	-	(36,338)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	-	25,749	25,749	-
Purchase of capital assets	(145,306)	-	(28,770)	(174,076)	-
Principal paid on capital debt	-	-	(53,000)	(53,000)	-
Interest paid on capital debt	-	-	(206,235)	(206,235)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(145,306)	-	(262,256)	(407,562)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	-	-	-
Interest income	7,163	1,369	9,254	17,786	-
Net Cash Provided (Used) by Investing Activities	7,163	1,369	9,254	17,786	-
Net Increase (Decrease) in Cash and Cash Equivalents	(153,191)	1,369	(11,159)	(162,981)	-
Balances - Beginning of Year	419,443	56,900	409,267	885,610	-
Balances - End of Year	\$ 266,252	\$ 58,269	\$ 398,108	\$ 722,629	\$ -
 Cash, including time deposits	 \$ 266,252	 \$ 58,269	 \$ 73,369	 \$ 397,890	 \$ -
Restricted cash, including time deposits	-	-	324,739	324,739	-
Total Cash and Cash Equivalents, End of Year	\$ 266,252	\$ 58,269	\$ 398,108	\$ 722,629	\$ -

(Continued)

See accompanying notes to basic financial statements.

(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 57,756	\$ (73,356)	\$ 103,140	\$ 87,540	\$ (13,510)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	39,615	40,392	125,701	205,708	63,812
Change in assets and liabilities:					
Receivables	(12,156)	(3,876)	3,753	(12,279)	-
Due from other funds	(48,061)	(9,640)	-	(57,701)	(157,574)
Inventory	8,175	(10,701)	-	(2,526)	-
Vouchers payable	5,639	(41)	(1,756)	3,842	(3,528)
Due to other funds	(31,418)	59,222	11,005	38,809	110,800
Meter deposits	(260)	-	-	(260)	-
Net Cash Provided by Operating Activities	<u>\$ 19,290</u>	<u>\$ 2,000</u>	<u>\$ 241,843</u>	<u>\$ 263,133</u>	<u>\$ -</u>

Noncash investing, capital and financing activities:
None

CITY OF WAKEFIELD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT

The City of Wakefield, Michigan (the "City") operates under a Council – Manager form of government as authorized by its charter.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on this criteria, the City has no component units.

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, Intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

NOTES TO FINANCIAL STATEMENTS (continued)

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Fund

The City's internal service fund is used to account for the financing of fleet management services. These services are provided to the various funds of the City on a cost reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (continued)

Major and Nonmajor Funds

The governmental and enterprise funds of the City are further classified as major and nonmajor funds as follows:

Fund	Brief Description
MAJOR FUNDS	
1. General	See above for description.
Special Revenue:	
2. Major Street	Account for revenues and expenditures of major street system.
3. Local Street	Account for revenues and expenditures of local street system.
Enterprise:	
4. Electric	Account for revenues and expenses of providing electric service to the public.
5. Water	Account for revenues and expenses of providing water service to the public.
6. Sewer	Account for revenues and expenses of providing sewer service to the public.
NONMAJOR FUNDS	
Special Revenue:	
7. Building Inspector	Account for revenues and expenditures of building inspection services.
8. Library	Account for revenues and expenditures of operating the library.
9. Cemetery	Account for revenues and expenditures of operating the cemetery.
10. Garbage	Account for revenues and expenditures of providing garbage services to the public.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note F for details of interfund transactions, including receivables and payables at year-end.

NOTES TO FINANCIAL STATEMENTS (continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The inventories of the City's general fund and enterprise funds consist of supplies and are recorded at the lower of cost or estimated value.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

-Buildings	25-30 years
-Improvements	10-50 years
-Machinery and Equipment	03-20 years
-Utility System	25-50 years
-Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects and debt retirement.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. In the fund financial statements, the liability is reported as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note E for additional disclosures.

REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property tax revenue should be recognized in accordance with MCGAA Statement 3. Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 or July 1 of the following year. These taxes are due on February 14, or August 31 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and /or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--By Character:

Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund--By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

BUDETARY CONTROL

The City follows the following procedures in establishing budgets as reflected in the financial statements:

1. Prior to June 1st, the City Manager submits a proposed budget to the Council with covers all funds operated by the City commencing the following July 1st, the proposed expenditures and the means of financing them.
2. At least one public hearing is conducted by the City to obtain taxpayer comments and review the proposed budget in detail.
3. In June, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter any item of the budget are approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

Presented budgeted amounts presented are as originally adopted on June 14, 2004, or as amended by action of the Council.

NOTES TO FINANCIAL STATEMENTS (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – COMPLIANCE

The City ended the year with accumulated fund deficits in the following funds:

Building Inspector Fund	\$ 2,128
Library Fund	15,035
Garbage Fund	6,615

The city plans to eliminate these deficits by making operating transfers from the general fund as needed.

In addition, the City exceeded budgeted expenditures in the following funds:

General Fund	\$ 41,250
Major Street Fund	39,198
Local Street Fund	31,530
Cemetery Fund	4,610

NOTE C - BALANCE SHEET--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Local Unit Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Local Unit's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year-end are as follows:

Bank Balance	
Deposits	Total
Insured (FDIC)	\$ 200,000
Uninsured	1,020,897
	<u>\$ 1,220,897</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE D - ALLOWANCE FOR RECEIVABLES

The City records the receivables net of the allowance for uncollectibles. The amounts reflected as of June 30, 2005, include the following amounts with allowances for uncollectibles:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General	\$ 86,096	\$ 17,841	\$ 68,255
Garbage	12,837	-	12,837
Electric	76,534	-	76,534
Water	20,658	-	20,658
Sewer	30,890	-	30,890

The allowance is established, as accounts are deemed uncollectible. Delinquent personal property taxes are deemed uncollectible at rates of 10%, 40%, 70%, and 100% when they become 1, 2, 3, and 4 or more years delinquent respectively.

NOTE E - RESTRICTED ASSETS

The assets consist of the following cash and short-term investments:

General Fund

The fund balance has been reserved and restricted funds have been established for capital expenditures as follows:

Investments	\$ 34,617
-------------	-----------

NOTES TO FINANCIAL STATEMENTS (continued)

Sewer Fund

In connection with construction and financing of a sewer system capital improvement project, the following restricted bank accounts have been established:

	<u>Balance at June 30, 2005</u>
1. Bond and Interest Redemption Fund To receive sewer assessment funds designated to be used solely for the retirement of revenue bonds and related interest charges.	152,788
2. Bond Reserve Account To receive a minimum of \$26,000 per year, commencing July 1, 2000 until a balance of \$ 260,000 is achieved. These funds shall be used solely for the payment of bond principal and interest as to which these would otherwise be default.	113,243
3. Repair, Replacement, and Improvement To receive a minimum of \$26,000 per year, commencing July 1, 2000, less the amount deposited into the bond reserve account. These funds shall be used only for the repair, replacement, or improvement to the sewer system. If necessary, these funds can also be used for payment of bond principal and interest.	58,708
	<hr/> <u>\$ 324,739</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - INTERFUND ACTIVITIES

The amounts of interfund receivables and payables at June 30, 2005, were as follows:

Receivable		Payable	
Fund	Amount	Fund	Amount
General	\$ 232,984	Electric	\$ 10,971
		Sewer	8,985
		Water	8,894
		Cemetery	30,459
		Motor Pool	171,547
		Building Inspector	2,128
			<u>232,984</u>
Library	2,993	General	2,993
Electric	58,473	Water	57,961
		Sewer	512
			<u>58,473</u>
Water	82,986	Sewer	4,743
		Sewer	78,243
			<u>82,986</u>
Garbage	35,604	General	35,604
Motor Pool	223,310	Sewer	6,709
		Garbage	50,293
		Cemetery	17,527
		Water	7,836
		Major Street	86,427
		Local Street	46,936
		Electric	7,582
			<u>223,310</u>
Major Street	216,851	General Library	196,851
		General	20,000
			<u>216,851</u>
Local Street	<u>62,800</u>	General	<u>62,800</u>
	<u>\$ 916,001</u>		<u>\$ 916,001</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F- INTERFUND ACTIVITIES (continued)

Operating transfers between the various funds of the City for the year ended June 30, 2005, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 36,338	Electric Water	\$ 34,338 <u>2,000</u>
			36,338
Garbage	7,601	General	7,601
Library	22,500	General	22,500
Local Street	<u>52,055</u>	Major Street	<u>52,055</u>
	<u>\$ 118,494</u>		<u>\$ 118,494</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT

The detailed balances of major classes of assets of the proprietary funds by nature and function are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<u>Enterprise Funds</u>				
Electric Fund:				
Substation	\$ 121,288	\$ 145,306	\$ -	\$ 266,594
Warehouse	224,090	-	-	224,090
Miscellaneous	18,141	-	-	18,141
Meters	49,119	-	-	49,119
Operations	259,980	-	-	259,980
Street Lights	48,256	-	-	48,256
Transformers	62,459	-	-	62,459
Lines	282,953	-	-	282,953
Service	108,914	-	-	108,914
	<u>1,175,200</u>	<u>145,306</u>	<u>-</u>	<u>1,320,506</u>
Water Fund:				
Equipment	804,932	-	-	804,932
Meters	28,773	-	-	28,773
Service	32,954	-	-	32,954
Distribution	415,229	-	-	415,229
Hydrants	24,251	-	-	24,251
Reservoir	54,017	-	-	54,017
	<u>1,360,156</u>	<u>-</u>	<u>-</u>	<u>1,360,156</u>
Sewer Fund:				
Construction in progress	10,524,711	28,770	-	10,553,481
Collection	636,907	-	-	636,907
Lift Station	833	-	-	833
Catch Basins	20,087	-	-	20,087
Lagoon	166,515	-	-	166,515
Services	13,791	-	-	13,791
Equipment	1,469	-	-	1,469
	<u>11,364,313</u>	<u>28,770</u>	<u>-</u>	<u>11,393,083</u>
Accumulated Depreciation:				
Electric Fund	608,300	39,615	-	647,915
Water Fund	471,702	40,392	-	512,094
Sewer Fund	677,609	125,701	-	803,310
	<u>1,757,611</u>	<u>205,708</u>	<u>-</u>	<u>1,963,319</u>
<u>Internal Service Fund</u>				
Equipment	\$ 1,442,266	\$ -	\$ -	\$ 1,442,266
Accumulated Depreciation	1,124,033	63,812	-	1,187,845

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

A summary of changes in the general fixed assets is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 377,331	\$ -	\$ -	\$ 377,331
Buildings	621,488	-	-	621,488
Improvements	783,800	-	-	783,800
Equipment	<u>519,338</u>	<u>-</u>	<u>-</u>	<u>519,338</u>
	\$ 2,301,957	\$ -	\$ -	\$ 2,301,957

Accumulated Depreciation:

Land	-	-	-	-
Buildings	487,830	6,365	-	494,195
Improvements	357,710	23,904	-	381,614
Equipment	<u>407,804</u>	<u>19,594</u>	<u>-</u>	<u>427,398</u>
	\$ 1,253,344	\$ 49,863	\$ -	\$ 1,303,207

Depreciation expense was charged to governmental activities as follows:

General government	10,576
Public safety	19,258
Highways and streets	7,426
Public works	286
Community services	3,658
Parks and recreation	<u>8,659</u>
	<u>\$ 49,863</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

The general fixed assets as of June 30, 2005, are distributed in the following locations:

	Land	Buildings	Improvements other than Buildings	Equipment	Total
Public Land	\$ 377,331	\$ -	\$ -	\$ -	\$ 377,331
City Buildings	-	357,572	264,400	101,222	723,194
Public Works	-	27,490	7,142	99,689	134,321
City property	-	24,758	-	4,428	29,186
Fire Department	-	58,427	-	271,328	329,755
Library	-	46,658	-	12,187	58,845
Police Department	-	-	-	22,121	22,121
Cemetery	-	-	35,921	5,088	41,009
Park	-	106,583	104,454	3,275	214,312
Industrial Park	-	-	371,319	-	371,319
Landfill	-	-	564	-	564
	<u>\$ 377,331</u>	<u>\$ 621,488</u>	<u>\$ 783,800</u>	<u>\$ 519,338</u>	<u>\$ 2,301,957</u>

NOTE H - COMPENSATED ABSENCES

Employees earn one day of sick leave per month with no maximum accumulation. Upon retirement, employees are entitled to payment (calculated with regard to years of service) for up to a maximum of 120 days, of unused sick leave. The estimated value of unrecorded sick leave at June 30, 2005, was \$121,684.

In addition, employees earn vacation in amounts that vary with the length of service. The employees are required to use their vacation annually, from the initial date of employment. As of June 30, 2005, unused vacation pay amounted to \$29,974.

NOTE I – DEFEASED DEBT

On May 22, 2000, the City issued sewage disposal system revenue and revenue refunding bonds of \$ 4,773,000 with an interest rate of 4.5%. Proceeds of \$ 719,412 from this bond issue were used to advance refund general obligation limited tax bonds with interest rates of 4.58% to 5.96% and a par value of \$ 695,000. The general obligation limited tax bonds mature in increments through July 1, 2006, and are callable on July 1, 2003.

The net proceeds of \$ 718,362, after paying escrow fees of \$1,050, were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the general obligation limited tax bonds are called on July 1, 2003. The advance refunding met the requirements of an in-substance debt defeasance and the general obligation limited tax bonds were removed from the City's general long-term debt account group.

As a result of the advance refunding, the City reduced its total debt service requirements by \$ 845,732, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$ 211.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J – SUMMARY OF CHANGES IN LONG-TERM DEBT

A summary of changes in the City's long-term debt is as follows:

	Balance June 30, 2004	Additions	Retired	Balance June 30, 2005
Sewage Disposal System				
Revenue and Revenue				
Refunding Bonds	\$ 4,583,000	\$ -	\$ 53,000	\$ 4,530,000
Compensated Absences	151,266	392	-	151,658
	<u>\$ 4,734,266</u>	<u>\$ 392</u>	<u>\$ 53,000</u>	<u>\$ 4,681,658</u>

NOTE K - EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Michigan Municipal Employees Retirement System (MERS) which covers substantially all of the City employees. The plan requires employees' contributions equal to specified percentages of earnings and the City makes annual contributions to the plan equal to the amounts accrued for pension expense. Detailed information concerning the plan was not available, accordingly, various disclosures, required by GASB Statement No.25 and No. 27, are not included herein.

NOTE L - LONG-TERM DEBT

The general long-term debt of the City consists of the following sewage disposal system revenue and revenue refunding bonds:

Date of issue – May 22, 2000

Amount of original issue - \$ 4,773,000 (Series A \$ 4,525,000, Series B \$ 248,000)

Outstanding at June 30, 2005 - \$ 4,530,000

Interest rate - 4.5%

Interest dates – June 1 and December 1

The repayment schedule is as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 56,000	\$ 203,850	\$ 259,850
2007	58,000	201,330	259,330
2008	60,000	198,720	258,720
2009	63,000	196,020	259,020
2010	66,000	193,185	259,185
2011-2015	377,000	918,655	1,295,655
2016-2020	471,000	825,750	1,296,750
2021-2025	587,000	709,695	1,296,695
2026-2030	732,000	565,245	1,297,245
2031-2035	913,000	384,930	1,297,930
2036-2040	<u>1,147,000</u>	<u>160,200</u>	<u>1,307,200</u>
	<u>\$ 4,530,000</u>	<u>\$ 4,557,580</u>	<u>\$ 9,087,580</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M – SEWER PROJECT

On November 9, 1992, the City established the Sewer System Capital Improvement Fund to complete the City's sewer system evaluation study, facility plan, and construction of the wastewater collection, transportation, and treatment system. Revenues are derived from existing sewer customers through a special assessment billed to the customers based on a fee schedule adopted by the City Council.

Funding for this project consisted of the following:

Sewage disposal system revenue and revenue refunding bonds (federal)	\$ 4,773,000
Water and waste system grants (federal)	4,576,000
Customer assessments	<u>1,491,784</u>
	<u>\$ 10,840,784</u>

Interest during the construction phase was not capitalized in accordance with terms of the bonds. Effective July 1, 2002, all assets and liabilities of the capital projects fund were transferred to and became part of the sewer fund. The surplus of \$ 449,075 was recorded as a residual equity transfer from the capital projects fund to the sewer fund.

The City is in the process of allocating the construction costs to the various plant assets and determining useful lives. Depreciation has been estimated @ 1% per year. Abandoned and replaced assets will be removed from the accounts at the time the construction costs are allocated.

NOTE N – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage and has obtained worker' compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2005, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE O – COMMITMENTS AND CONTINGENCIES

In normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

OTHER FINANCIAL INFORMATION

CITY OF WAKEFIELD, MICHIGAN
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005
Special Revenue Funds

	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	Totals Other Governmental Funds
ASSETS					
Cash	\$ -	\$ 229	\$ 49,417	\$ -	\$ 49,646
Accounts receivable	-	-	-	11,984	11,984
Taxes receivable	-	-	-	853	853
Due from other governments	-	2,120	4,250	2,362	8,732
Due from other funds	-	2,993	-	35,604	38,597
	<u>\$ -</u>	<u>\$ 5,342</u>	<u>\$ 53,667</u>	<u>\$ 50,803</u>	<u>\$ 109,812</u>
LIABILITIES					
Vouchers payable	\$ -	\$ 377	\$ 171	\$ 7,125	\$ 7,673
Due to other funds	<u>2,128</u>	<u>20,000</u>	<u>47,986</u>	<u>50,293</u>	<u>120,407</u>
	2,128	20,377	48,157	57,418	128,080
EQUITY					
Fund balance (deficit):					
Unreserved	<u>(2,128)</u>	<u>(15,035)</u>	<u>5,510</u>	<u>(6,615)</u>	<u>(18,268)</u>
	<u>(2,128)</u>	<u>(15,035)</u>	<u>5,510</u>	<u>(6,615)</u>	<u>(18,268)</u>
	<u>\$ -</u>	<u>\$ 5,342</u>	<u>\$ 53,667</u>	<u>\$ 50,803</u>	<u>\$ 109,812</u>

CITY OF WAKEFIELD, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2005

	Special Revenue Funds				Total Other Governmental Funds
	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	
Revenues:					
Local sources:					
Charges for services	\$ 2,170	\$ 176	\$ 15,089	\$ 122,393	\$ 139,828
Interest	-	63	1,296	-	1,359
Other	-	2,398	-	-	2,398
Intermediate sources	-	19,603	4,250	2,362	26,215
State sources	-	2,135	-	-	2,135
	2,170	24,375	20,635	124,755	171,935
Expenditures:					
Community services	5,789	61,993	25,610	131,370	224,702
	5,789	61,993	25,610	131,370	224,762
Excess of Revenues over (under) expenditures	(3,619)	(37,618)	(4,975)	(6,615)	(52,827)
Other Financing Sources (Uses):					
Operating transfers in	-	22,500	-	7,601	30,101
Operating transfers (out)	-	-	-	-	-
	-	22,500	-	7,601	30,101
Excess of Revenues and Other Sources over (under) expenditures and other uses	(3,619)	(15,118)	(4,975)	986	(22,726)
Fund balance - beginning of year (deficit)	1,491	23	10,485	(7,601)	4,398
Fund Balance - end of year	\$ (2,128)	\$ (15,095)	\$ 5,510	\$ (6,615)	\$ (18,328)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Local Sources:				
Property taxes	\$ 340,188	\$ 340,188	\$ 334,710	\$ (5,478)
Rentals	9,650	9,650	9,120	(530)
Park income	28,200	28,200	27,904	(296)
Interest income	3,000	3,000	1,793	(1,207)
Sale of assets	-	-	67,600	67,600
Other	51,450	51,450	24,990	(26,460)
	432,488	432,488	466,117	33,629
Intermediate sources:				
Township services	8,200	8,200	8,230	30
State sources:				
Sales tax	289,812	289,812	285,977	(3,835)
Other	5,460	5,460	11,015	5,555
	295,272	295,272	296,992	1,720
Federal sources:				
Federal Emergency Management	-	-	77,328	77,328
	<u>\$ 735,960</u>	<u>\$ 735,960</u>	<u>\$ 848,667</u>	<u>\$ 112,707</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2005

	Budget		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
General government:				
Mayor and council	\$ 8,000	\$ 8,000	\$ 9,134	\$ (1,134)
Clerk	56,800	56,800	34,794	22,006
Code enforcement	2,500	2,500	1,811	689
Manager	60,300	60,300	57,549	2,751
Elections	4,300	4,300	7,256	(2,956)
Assessing	12,300	12,300	12,905	(605)
Attorney	8,000	8,000	9,714	(1,714)
Audit	7,700	7,700	6,200	1,500
Board or review	1,475	1,475	755	720
Treasurer	75,700	75,700	79,565	(3,865)
City buildings	17,000	17,000	27,541	(10,541)
Insurance	50,600	50,600	47,682	2,918
Fringe benefits	138,000	138,000	124,365	13,635
Other	16,883	16,883	30,155	(13,272)
	459,558	459,558	449,426	10,132
Public safety:				
Police	143,234	143,234	142,954	280
Fire	27,500	27,500	31,133	(3,633)
Crossing guard	2,000	2,000	-	2,000
	172,734	172,734	174,087	(1,353)
Highways and streets:				
Street lighting	22,000	22,000	22,653	(653)
Public works:				
Garage and warehouse	50,100	50,100	53,744	(3,644)
Administration	16,600	16,600	12,237	4,363
Other	-	-	45,580	(45,580)
	66,700	66,700	111,561	(44,861)
Parks and recreation	54,500	54,500	59,015	(4,515)
	<u>\$ 775,492</u>	<u>\$ 775,492</u>	<u>\$ 816,742</u>	<u>\$ (41,250)</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUILDING INSPECTOR FUND
Year ended June 30, 2005

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Building permits	\$ 2,000	\$ 2,000	\$ 2,170	\$ 170
	2,000	2,000	2,170	170
Expenditures:				
Community services:				
Contract service	5,500	5,500	5,275	225
Miscellaneous	500	500	514	(14)
	6,000	6,000	5,789	211
Excess of Revenues over (under) Expenditures	(4,000)	(4,000)	(3,619)	381
Other Financing Sources (Uses):				
Operating transfers in	4,000	4,000	-	(4,000)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	(3,619)	(3,619)
Fund balance (deficit) at beginning of year	1,491	1,491	1,491	-
Fund balance at end of year	\$ 1,491	\$ 1,491	\$ (2,128)	\$ (3,619)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
Year ended June 30, 2005

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Charges for service	\$ 200	\$ 200	\$ 176	\$ (24)
Interest	100	100	63	(37)
Other	1,700	1,700	2,398	698
	2,000	2,000	2,637	637
Intermediate sources:				
County penal fines	13,500	13,500	17,483	3,983
Township services	2,075	2,075	2,120	45
	15,575	15,575	19,603	4,028
State sources:				
State aid	2,570	2,570	2,135	(435)
	20,145	20,145	24,375	4,230
Expenditures:				
Community services:				
Payroll	45,720	45,720	48,041	(2,321)
Supplies	900	900	580	320
Administration	200	200	100	100
Additions and betterments	1,000	1,000	132	868
Books	8,000	8,000	4,331	3,669
Periodicals	1,000	1,000	672	328
Memberships	1,500	1,500	692	808
Utilities	5,300	5,300	7,385	(2,085)
	63,620	63,620	61,933	1,687
Excess of Revenues over (under) Expenditures	(43,475)	(43,475)	(37,558)	5,917
Other Financing Sources (Uses):				
Operating transfers in	41,749	41,749	22,500	(19,249)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,726)	(1,726)	(15,058)	(13,332)
Fund balance at beginning of year	23	23	23	-
Fund balance at end of year	\$ (1,703)	\$ (1,703)	\$ (15,035)	\$ (13,332)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR STREET FUND
Year ended June 30, 2005

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ 182	182
Interest	3,000	3,000	3,086	86
	3,000	3,000	3,268	268
State sources:				
Gas and weight tax	187,014	187,014	208,218	21,204
Trunkline maintenance	38,950	38,950	28,195	(10,755)
Other state grants	5,000	5,000	20,207	15,207
	230,964	230,964	256,620	25,656
Federal sources	-	-	-	-
	233,964	233,964	259,888	25,924
Expenditures:				
Highways and streets:				
Construction	4,750	4,750	65,278	(60,528)
Routine maintenance	63,900	63,900	14,613	49,287
Traffic services	2,100	2,100	802	1,298
Snow and ice removal	76,500	76,500	103,666	(27,166)
Administrative	13,600	13,600	4,306	9,294
State trunkline maintenance	38,950	38,950	50,333	(11,383)
	199,800	199,800	238,998	(39,198)
Excess of Revenues over (under) Expenditures	34,164	34,164	20,890	(13,274)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(51,719)	(51,719)	(52,055)	(336)
	(51,719)	(51,719)	(52,055)	(336)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(17,555)	(17,555)	(31,165)	(13,610)
Fund balance at beginning of year	215,392	215,392	215,392	-
Fund balance at end of year	\$ 197,837	\$ 197,837	\$ 184,227	\$ (13,610)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET FUND
Year ended June 30, 2005

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ -	-
Interest	2,000	2,000	1,547	(453)
	2,000	2,000	1,547	(453)
State sources:				
Gas and weight tax	83,625	83,625	78,277	(5,348)
Other	2,000	2,000	2,612	612
	85,625	85,625	80,889	(4,736)
Federal sources	-	-	-	-
	87,625	87,625	82,436	(5,189)
Expenditures:				
Highways and streets:				
Construction	25,400	25,400	67,569	(42,169)
Routine maintenance	43,000	43,000	28,010	14,990
Traffic services	1,900	1,900	409	1,491
Snow and ice removal	40,750	40,750	58,206	(17,456)
Administrative	15,600	15,600	3,986	11,614
	126,650	126,650	158,180	(31,530)
Excess of Revenues over (under) Expenditures	(39,025)	(39,025)	(75,744)	(36,719)
Other Financing Sources (Uses):				
Operating transfers in	51,719	51,719	52,055	336
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	12,694	12,694	(23,689)	(36,383)
Fund balance at beginning of year	126,240	126,240	126,240	-
Fund balance at end of year	\$ 138,934	\$ 138,934	\$ 102,551	\$ (36,383)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND
Year ended June 30, 2005

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Grave openings	\$ 10,000	\$ 10,000	\$ 10,964	\$ 964
Mausoleum storage	100	100	-	(100)
Perpetual care	2,000	2,000	975	(1,025)
Lot use	2,000	2,000	3,150	1,150
Interest	500	500	1,296	796
	14,600	14,600	16,385	1,785
Intermediate sources:				
Township services	4,125	4,125	4,250	125
	18,725	18,725	20,635	1,910
Expenditures:				
Community services:				
Payroll	14,500	14,500	21,434	(6,934)
Supplies and repairs	700	700	1,220	(520)
Administration	1,800	1,800	600	1,200
Rental	4,000	4,000	2,356	1,644
New equipment	-	-	-	-
	21,000	21,000	25,610	(4,610)
Excess of Revenues over (under) Expenditures	(2,275)	(2,275)	(4,975)	(2,700)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,275)	(2,275)	(4,975)	(2,700)
Fund balance at beginning of year	10,485	10,485	10,485	-
Fund balance at end of year	\$ 8,210	\$ 8,210	\$ 5,510	\$ (2,700)

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GARBAGE FUND
Year ended June 30, 2005

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Landfill fees	\$ 126,000	\$ 126,000	\$ 111,101	\$ (14,899)
Garbage bags	11,000	11,000	11,292	292
	137,000	137,000	122,393	(14,607)
Intermediate sources:				
Township services	-	-	2,362	2,362
	137,000	137,000	124,755	(12,245)
Expenditures:				
Community services:				
Payroll	36,175	36,175	39,244	(3,069)
Recycle	1,300	1,300	-	1,300
Garbage bags	8,500	8,500	6,976	1,524
Landfill	71,000	71,000	76,062	(5,062)
Administration	3,500	3,500	1,168	2,332
Rental	21,000	21,000	7,920	13,080
	141,475	141,475	131,370	10,105
Excess of Revenues over (under) Expenditures	(4,475)	(4,475)	(6,615)	(2,140)
Other Financing Sources (Uses):				
Operating transfers in	852	852	7,601	6,749
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(3,623)	(3,623)	986	4,609
Fund balance at beginning of year	(7,601)	(7,601)	(7,601)	-
Fund balance at end of year	\$ (11,224)	\$ (11,224)	\$ (6,615)	\$ 4,609

OTHER REPORTS

DAVID TRACZYK

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Member of the Council
City of Wakefield
Wakefield, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wakefield, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City of Wakefield, Michigan's, basic financial statements and have issued my report thereon dated July 13, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wakefield, Michigan's financial statements are free of material misstatement, I performed tests of it's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, certain immaterial instances of noncompliance are reported to in Note B of the notes to financial statements.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Wakefield, Michigan's, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Two reportable conditions are described as follows:

2005-1 Accounting Records

Condition and Criteria: The City did not maintain adequate records to support the inventory of supplies.

Effect: Because adequate records were not maintained, the amounts reported as supplies inventory could not be verified. This resulted in a qualified opinion on the financial statements.

Recommendation: I recommend that the accounting personnel receive proper training and supervision.

Response: We concur with the recommendation and have retained additional help.

2005-2 Fixed Assets

Condition and Criteria: The City has not updated its general fixed assets ledgers or enterprise fund asset ledgers for many years.

Effect: Because of the failure to properly maintain the fixed asset accounts, proper control over these assets cannot be achieved.

Recommendation: It is recommended that all fixed asset accounts be updated and maintained as an integral part of the City's accounting system.

Response: We concur with the recommendation and have begun the process.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However of the reportable conditions described above, I consider item 2005-1 to be a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to management of the City in a separate letter dated July 13, 2006.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

July 13, 2006

DAVID TRACZYK

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MANAGEMENT LETTER

Mayor and Members of the Council
City of Wakefield, Michigan

I have audited the general purpose financial statements of the City of Wakefield, Michigan, as of and for the year ended June 30, 2005, and have issued my report thereon dated July 13, 2006.

In planning and performing my audit of the financial statements, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

During the course of my audit, certain matters have come to my attention which I feel should be addressed by management. These matters are not considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, they are areas in which management may improve its accounting and reporting system.

The following items have been discussed during the course of my audit, with the management of the City:

1. Property ledger.

The general fixed assets property ledger has not been brought up-to-date and reconciled to the current balance for several years. This condition was also indicated in the prior year management letter.

Recommendation

I recommend that the ledger be brought up-to-date and recorded at least annually thereafter.

2. Accumulated Fund Deficits

As explained in Note B to the financial statements, three funds ended the year with accumulated fund deficits.

Recommendation

I recommend that the City approve a deficit elimination plan to address this item.

3. Budget overruns

As noted in Note B to the financial statements. The City exceeded budgeted expenditures in four of the governmental funds.

Recommendation

I recommend that City officials monitor the monthly expenditures more closely. The city should stay within the budget and if necessary, amend the budget in order to remain in compliance.

4. Inventory

Perpetual inventory records were not maintained, nor was a physical count of inventory items taken at year end.

Recommendation

I recommend that proper procedures be established to document the inventory.

5. Accounting procedures

The City's current staff has not been able to properly maintain the accounting records. Revenue and expense reports were prepared during the year, however, they were not complete. Much of the accounting was not completed until May of 2006, when an outside accounting firm was retained to complete the records.

This resulted in a lack of proper internal controls throughout the year.

Recommendation

I recommend that personnel be properly trained and supervised. This same recommendation was made in my prior year management letter. If current personnel are not capable of performing the accounting functions, the City should consider retaining monthly services to assure that the records are properly maintained.

Sincerely,